

## Why Are You Out of Work?

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country from day to day hangs on a "conscientious withdrawal of efficiency" by the business men who control the country's industrial output. They control it all for their own use, of course, and their own use means always a profitable price.

### Indispensable Condition of Price System

In any community that is organized on the price system, with investment and business enterprise, habitual unemployment of the available industrial plant and workmen, in whole or in part, appears to be the indispensable condition without which tolerable conditions of life cannot be maintained. That is to say, in no such community can the industrial system be allowed to work at full capacity for any appreciable interval of time, on pain of business stagnation and consequent privation for all classes and conditions of men. The requirements of profitable business will not tolerate it. So the rate and volume of output must be adjusted to the needs of the market, not to the working capacity of the available resources, equipment and man power, nor to the community's need of consumable goods. Therefore there must always be a certain variable margin of unemployment of plant and man power. Rate and volume of output can, of course, not be adjusted by exceeding the productive capacity of the industrial system. So it has to be regulated by keeping short of maximum production by more or less, as the condition of the market may require. It is always a question of more or less unemployment of plant and man power, and a shrewd moderation in the unemployment of these available resources, a "conscientious withdrawal of efficiency," therefore, is the beginning of wisdom in all sound workday business enterprise that has to do with industry.

All this is matter of course and notorious. But it is not a topic on which one prefers to dwell. Writers and speakers who dilate on the meritorious exploits of the nation's business men will not commonly allude to this voluminous running administration of sabotage, this conscientious withdrawal of efficiency, that goes into their ordinary day's work. One prefers to dwell on those exceptional, sporadic, and spectacular episodes in business where business men have now and again successfully gone out of the safe and sane highway of conservative business enterprise that is hedged about with a conscientious withdrawal of efficiency, and have endeavored to regulate the output by increasing the productive capacity of the industrial system at one point or another.

### The Common Man Has Won the War and Lost His Livelihood

But after all, such habitual recourse to peaceable or surreptitious measures of restraint, delay, and obstruction in the ordinary businesslike management of industry is too widely known and too well approved to call for much exposition or illustration. Yet, as one capital illustration of the scope and force of such businesslike withdrawal of efficiency, it may be in place to recall that all the civilized nations are just now undergoing an experiment in businesslike sabotage on an unexampled scale and carried out with unexampled effrontery. All these nations that have come through the war, whether as belligerents or as neutrals, have come into a state of more or less pronounced distress, due to a scarcity of the common necessities of life; and this distress falls, of course, chiefly on the common sort, who have at the same time borne the chief burden of the war which has brought them to this state of distress. The common man has won the war and lost his livelihood. This need not be said by way of praise or blame. As it stands it is, broadly, an objective statement of fact, which may need some slight qualification, such as broad statements of fact will commonly need. All these nations that have come through the war, and more particularly

the common run of their populations, are very much in need of all sorts of supplies for daily use, both for immediate consumption and for productive use. So much so that the prevailing state of distress rises in many places to an altogether unwholesome pitch of privation, for want of the necessary food, clothing, and fuel. Yet in all these countries the staple industries are slowing down. There is an ever increasing withdrawal of efficiency. The industrial plant is increasingly running idle or half idle, running increasingly short of productive capacity. Workmen are being laid off and an increasing number of those workmen who have been serving in the armies are going idle for want of work, at the same time that the troops which are no longer needed in the service are being demobilized as slowly as popular sentiment will tolerate, apparently for fear that the number of unemployed workmen in the country may presently increase to such proportions as to bring on a catastrophe. And all the while all these peoples are in great need of all sorts of goods and services which these idle plants and idle workmen are fit to produce. But for reasons of business expediency it is impossible to let these idle plants and idle workmen go to work—that is to say for reasons of insufficient profit to the business men interested, or in other words, for reasons of insufficient income to the vested interests which control the staples industries and so regulate the output of product. The traffic will not bear so large a production of goods as the community needs for current consumption, because it is considered doubtful whether so large a supply could be sold at prices that would yield a reasonable profit on the investment—or rather on the capitalization; that is to say, it is considered doubtful whether an increased production, such as to employ more workmen and supply the goods needed by the community, would result in an increased net aggregate income for the vested interests which control these industries. A reasonable profit always means, in effect, the largest obtainable profit.

All this is simple and obvious, and it should scarcely need explicit statement. It is for these business men to manage the country's industry, of course, and therefore to regulate the rate and volume of output; and also of course any regulation of the output by them will be made with a view to the needs of business; that is to say, with a view to the largest obtainable net profit, not with a view to the physical needs of these peoples who have come through the war and have made the world safe for the business of the vested interests. Should the business men in charge, by any chance aberration, stray from this straight and narrow path of business integrity, and allow the community's needs unduly to influence their management of the community's industry, they would presently find themselves discredited and would probably face insolvency. Their only salvation is a conscientious withdrawal of efficiency. All this lies in the nature of the case. It is the working of the price system, whose creatures and agents these business men are. Their case is rather pathetic, as indeed they admit quite volubly. They are not in a position to manage with a free hand, the reason being that they have in the past, under the routine requirements of the price system as it takes effect in corporation finance, taken on so large an overhead burden of fixed charges that any appreciable decrease in the net earnings of the business will bring any well-managed concern of this class face to face with bankruptcy.

### Prices Must Be Kept Up

At the present conjuncture, brought on by the war and its termination, the case stands somewhat in this typical shape. In the recent past earnings have been large; these large earnings (free income) have been capitalized; their capitalized value has been added to the corporate capital and covered with securities bearing a fixed income charge; this income charge, representing free income, has therefore become a liability

on the earnings of the corporation; this liability cannot be met in case the concern's net aggregate earnings fall off in any degree; therefore prices must be kept up to such a figure as will bring the largest net aggregate return, and the only means of keeping up prices is a conscientious withdrawal of efficiency in these staple industries on which the community depends for a supply of the necessities of life.

### For the Good of Business It is Necessary to Curtail Production

The business community has hopes of tiding things over by this means, but it is still a point in doubt whether the present unexampled large use of sabotage in the businesslike management of the staple industries will now suffice to bring the business community through this grave crisis without a disastrous shrinkage of its capitalization, and a consequent liquidation; but the point is not in doubt that the physical salvation of these peoples who have come through the war must in any case wait on the pecuniary salvation of these owners of corporate securities which represent free income. It is a sufficiently difficult passage. It appears that production must be curtailed in the staple industries, on pain of unprofitable prices. The case is not so desperate in those industries which have immediately to do with the production of superfluities; but even these, which depend chiefly on the custom of those kept classes to whom the free income goes, are not feeling altogether secure. For the good of business it is necessary to curtail production of the means of life, on pain of unprofitable prices, at the same time that the increasing need of all sorts of the necessities of life must be met in some passable fashion, on pain of such popular distress when it passes the limit of tolerance.

### Price Is Essence of Case—Livelihood Is Not

Those wise business men who are charged with administering the salutary modicum of sabotage at this grave juncture may conceivably be faced with a dubious choice between a distasteful curtailment of the free income that goes to the vested interests, on the one hand, and an unmanageable onset of popular discontent on the other hand. And in either alternative lies disaster. Present indications would seem to say that their choice will fall out according to ancient habit, that they will be likely to hold fast by an undiminished free income for the vested interests at the possible cost of any popular discontent that may be in prospect—and then, with the help of the courts and the military arm, presently make reasonable terms with any popular discontent that may arise. In which event it should occasion no surprise or resentment, inasmuch as it would be nothing unusual or irregular and would presumably be the most expeditious way of reaching a "modus vivendi." During the past few weeks, too, quite an unusually large number of machine guns have been sold to industrial business concerns of the larger sort, here and there! at least so they say. Business enterprise being the palladium of the Republic, it is right to take any necessary measures for its safeguarding. Price is of the essence of the case, whereas livelihood is not.

### Business as Usual

The grave emergency that has arisen out of the war and its provisional conclusion is, after all, nothing exceptional except in magnitude and severity. In substance it is the same sort of thing that goes on continually but unobtrusively and as a matter of course in ordinary times of business as usual. It is only that the extremity of the case is calling attention to itself. At the same time it serves impressively to enforce the broad proposition that a conscientious withdrawal of efficiency is the beginning of wisdom in all established business enterprise that has to do with industrial production. But it has been found that this grave interest which the vested interests always have in a salutary retardation of industry at one point or another cannot well be left altogether to the haphazard and ill-coordinated effort.

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